

# North Dakota REV-E-NEWS



**Pam Sharp, Director**

**December 2010**

**OFFICE OF MANAGEMENT AND BUDGET**

**600 EAST BOULEVARD AVE — DEPT. 110 BISMARCK, ND 58505-0400**

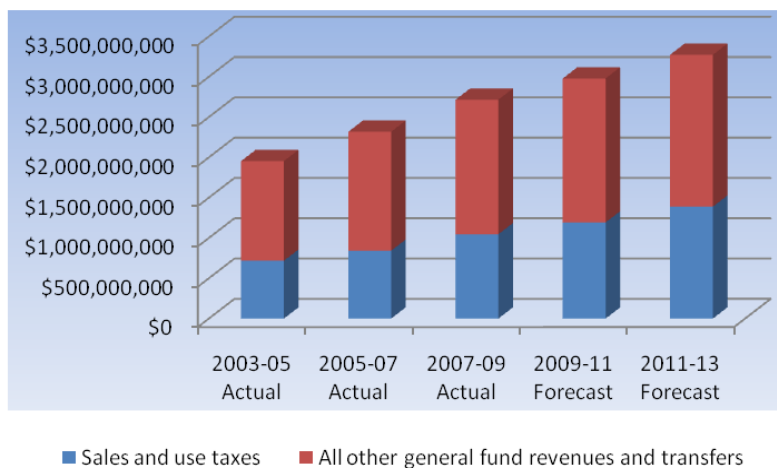
## MESSAGE FROM THE DIRECTOR

### *Executive Revenue Forecast Predicts Continued Revenue Growth!*

The executive revenue forecast serves as the basis for the 2011-13 executive budget. The executive revenue forecast was completed in November 2010 and the 2011-13 executive budget recommendation was presented to the legislature on December 8, 2010. The executive forecast assumes revenue growth of nearly 10.0 percent in the current biennium will continue for the 2011-13 biennium.

Many states are suffering through an unprecedented fiscal crisis as high unemployment stifles economic recovery and depresses state tax revenues from sales, corporate, and personal income tax sources. However, North Dakota continues to enjoy a prolonged period of economic growth and expansion, as well as the lowest unemployment rate in the nation. The November 2010 executive revenue forecast was developed using economic forecast data provided by Moody's Analytics, along with input from the state's Advisory Council on Revenue Forecasting. The forecast assumes continued growth in the state's economy through the forecast horizon of June 30, 2013, and beyond.

Sales and use taxes, which are the largest component of general fund revenues, exceed prior biennium collections by 15.5 percent through November 2010. The executive revenue forecast predicts that by June 30, 2011, current biennium sales and use tax revenues will exceed the 2007-09 biennium by 14.0 percent, a conservative estimate based on the status of current collections. Sales and use tax revenues are anticipated to increase by 16.4 percent in the 2011-13 biennium, reflecting continued low unemployment, increasing wages, and strong consumer confidence. The chart below shows actual and estimated growth in sales and use taxes, as well as total general fund revenues and transfers from 2003-05 through 2011-13.



## OIL ACTIVITY



The legislative revenue forecast for the 2009-11 biennium is based on gradually increasing oil price and production – starting at \$40 per barrel and 205,000 barrels per day and ending the biennium at \$55 per barrel and production of 225,000 barrels per day. Currently, the posted price for North Dakota sweet crude is around \$69 per barrel. Production jumped to a new record in October – nearly 342,250 barrels per day. The current rig count is 165 rigs, more than double the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	Oct 2010	Sept 2010	August 2010
Actual average price per barrel	\$68.52	\$65.61	\$66.78
Production (barrels/day)	342,250	342,100	328,900
Drilling permits	232	167	138
Producing wells	5,300	5,197	5,115
Rig count	151	143	140

Comments or Questions?  
Contact

Pam Sharp, Director  
Phone: 701-328-2680  
Fax: 701-328-3230  
E-mail:

[psharp@nd.gov](mailto:psharp@nd.gov)

Visit the North Dakota web site

[www.nd.gov](http://www.nd.gov)

## STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2009-11 Biennium November 2010

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2009 Leg. Forecast	Actual	Variance	Percent	May 2009 Leg. Forecast	Actual	Variance	Percent
Sales Tax	53,231,000	71,715,624	18,484,624	34.7%	804,612,000	850,442,229	45,830,229	5.7%
Motor Vehicle Excise Tax	3,263,000	5,102,000	1,839,000	56.4%	58,657,000	82,042,157	23,385,157	39.9%
Individual Income Tax	9,147,000	22,230,703	13,083,703	143.0%	438,491,000	426,513,836	(11,977,164)	-2.7%
Corporate Income Tax	3,240,000	1,768,645	(1,471,355)	-45.4%	136,009,000	112,825,050	(23,183,950)	-17.0%
Insurance Premium Tax	6,500,000	7,387,220	887,220	13.6%	42,550,000	42,710,325	160,325	0.4%
Financial Institutions Tax		(16,398)	(16,398)	-100.0%	4,750,000	3,016,392	(1,733,608)	-36.5%
Oil & Gas Production Tax*					39,309,315	32,718,333	(6,590,982)	-16.8%
Oil Extraction Tax*					31,690,685	38,281,667	6,590,982	20.8%
Gaming Tax	1,284,334	1,310,547	26,213	2.0%	12,411,796	11,758,527	(653,269)	-5.3%
Lottery					5,577,500	5,100,000	(477,500)	-8.6%
Cigarette & Tobacco Tax	1,822,000	1,977,170	155,170	8.5%	32,898,000	32,794,409	(103,591)	-0.3%
Wholesale Liquor Tax	544,000	609,136	65,136	12.0%	9,690,000	10,676,150	986,150	10.2%
Coal Conversion Tax	1,900,000	1,482,658	(417,342)	-22.0%	30,039,000	27,110,100	(2,928,900)	-9.8%
Mineral Leasing Fees	2,000,000	1,533,061	(466,939)	-23.3%	17,200,000	11,605,294	(5,594,706)	-32.5%
Departmental Collections	2,066,179	1,948,642	(117,537)	-5.7%	41,415,668	45,865,996	4,450,328	10.7%
Interest Income	1,110,025	712,427	(397,598)	-35.8%	16,825,405	26,534,604	9,709,199	57.7%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer					2,367,918	6,260,457	3,892,539	164.4%
Oil tax trust fund-Transfer					295,000,000	295,000,000	0	0.0%
Other Transfers		14,880	14,880	100.0%	966,000	2,123,758	1,157,758	119.9%
<b>Total Revenues and Transfers</b>	<b>86,107,538</b>	<b>117,776,315</b>	<b>31,668,777</b>	<b>36.8%</b>	<b>2,020,460,287</b>	<b>2,063,379,283</b>	<b>42,918,996</b>	<b>2.1%</b>

\* Oil and gas production and extraction tax collections totaled \$44.2 million in November. Because the \$71.0 million statutory cap for the 2009-11 biennium has been reached, no additional oil tax collections will be deposited in the general fund during the 2009-11 biennium. Through November, oil tax collections totaling \$474.0 million have been transferred to the permanent oil tax trust fund and are not reflected on this report.

## STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Previous Biennium Revenues 2009-11 Biennium November 2010

Revenues and Transfers	Fiscal Month				Biennium To Date			
	November 2008	November 2010	Variance	Percent	2007-09	2009-11	Variance	Percent
Sales Tax	37,521,235	71,715,624	34,194,390	91.1%	736,170,664	850,442,229	114,271,565	15.5%
Motor Vehicle Excise Tax	4,022,183	5,102,000	1,079,817	26.8%	95,481,090	82,042,157	(13,438,932)	-14.1%
Individual Income Tax	8,364,805	22,230,703	13,865,897	165.8%	424,718,414	426,513,836	1,795,422	0.4%
Corporate Income Tax	6,846,572	1,768,645	(5,077,927)	-74.2%	155,955,352	112,825,050	(43,130,302)	-27.7%
Insurance Premium Tax	7,292,782	7,387,220	94,437	1.3%	45,589,868	42,710,325	(2,879,543)	-6.3%
Financial Institutions Tax	(530,621)	(16,398)	514,223	-96.9%	6,101,880	3,016,392	(3,085,489)	-50.6%
Oil & Gas Production Tax*					39,309,315	32,718,333	(6,590,982)	-16.8%
Oil Extraction Tax*					31,690,685	38,281,667	6,590,982	20.8%
Gaming Tax	1,532,272	1,310,547	(221,725)	-14.5%	14,807,872	11,758,527	(3,049,345)	-20.6%
Lottery					5,300,000	5,100,000	(200,000)	-3.8%
Cigarette & Tobacco Tax	2,042,936	1,977,170	(65,766)	-3.2%	32,826,132	32,794,409	(31,723)	-0.1%
Wholesale Liquor Tax	630,340	609,136	(21,205)	-3.4%	10,067,413	10,676,150	608,737	6.0%
Coal Conversion Tax	2,176,506	1,482,658	(693,848)	-31.9%	34,582,347	27,110,100	(7,472,247)	-21.6%
Mineral Leasing Fees	1,725,439	1,533,061	(192,378)	-11.1%	19,050,044	11,605,294	(7,444,750)	-39.1%
Departmental Collections	2,750,352	1,948,642	(801,711)	-29.1%	42,343,693	45,865,996	3,522,303	8.3%
Interest Income	2,035,299	712,427	(1,322,872)	-65.0%	30,850,430	26,534,604	(4,315,827)	-14.0%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer						6,260,457	6,260,457	100.0%
Oil Tax Trust Fund-Transfer					115,000,000	295,000,000	180,000,000	156.5%
Other Transfers	5,459	14,880	9,421	172.6%	1,030,314	2,123,758	1,093,444	106.1%
<b>Total Revenues and Transfers</b>	<b>76,415,561</b>	<b>117,776,315</b>	<b>41,360,754</b>	<b>54.1%</b>	<b>1,840,875,512</b>	<b>2,063,379,283</b>	<b>222,503,771</b>	<b>12.1%</b>

\* Oil and gas production and extraction tax collections totaled \$44.2 million in November. Because the \$71.0 million statutory cap for the 2009-11 biennium has been reached, no additional oil tax collections will be deposited in the general fund during the 2009-11 biennium. Through November, oil tax collections totaling \$474.0 million have been transferred to the permanent oil tax trust fund and are not reflected on this report.

## VARIANCES

November 2010 revenues were \$117.8 million, \$31.7 million more than projected in the legislative forecast. Biennium to date revenues exceed the legislative forecast by \$42.9 million, or 2.1 percent. Notable variances for the month are as follows:

- **Sales tax** collections for the month exceed the legislative forecast by \$18.5 million, the largest single month variance realized this biennium. Sales tax collections of \$71.7 million for the month bring biennium to date collections to \$850.4 million, 5.7 percent higher than projected and 15.5 percent higher than the previous biennium.
- **Motor vehicle excise tax** collections again exceed the legislative forecast -- by \$1.8 million for the month and \$23.4 million for the biennium to date. Adjusting for legislatively authorized changes in the allocation of motor vehicle excise tax revenues between the general fund and the highway fund, 2009-11 biennium collections are \$3.3 million higher than at the same point in 2007-09.
- **Individual income tax** collections have trailed below forecast since April, when we realized an unexpected shortfall due primarily to capital losses and declining unearned income attributable to the national recession. November collections exceeded the legislative forecast by \$13.1 million for the month, narrowing the biennium to date variance to \$12.0 million. Current biennium collections exceed the 2007-09 biennium by \$1.8 million. However, this slight variance represents significant growth in wages and income considering the \$90.0 million individual income tax reduction measure approved by the 2009 legislature.
- **Corporate income tax** collections continue to lag the forecast, trailing by \$1.5 million for the month and \$23.2 million for the biennium to date. The majority of corporate income tax filers in North Dakota are multi-state or national corporations whose income is affected by the national recession.
- **Insurance premium tax** collections, which had been slightly lower than projected, exceeded the monthly forecast by 13.6 percent, bringing the biennium to date variance to a mere .4 percent.
- **Coal conversion tax** collections continue to fall short of projections, primarily reflecting the impact of the coal conversion tax credits enacted by the 2009 legislature in Senate Bill No. 2221.
- **Mineral leasing fees**, received from the federal government for mineral extraction on federal land located within the state, have consistently fallen short of the forecast despite the increasing volume of oil activity in the state. This variance is likely the result of variations in the bonus amounts paid for oil exploration leases on federal land.

OFFICE OF MANAGEMENT AND BUDGET  
600 EAST BOULEVARD AVE — DEPT. 110  
BISMARCK, ND 58505-0400  
<http://www.nd.gov/fiscal> or [www.nd.gov/omb](http://www.nd.gov/omb)